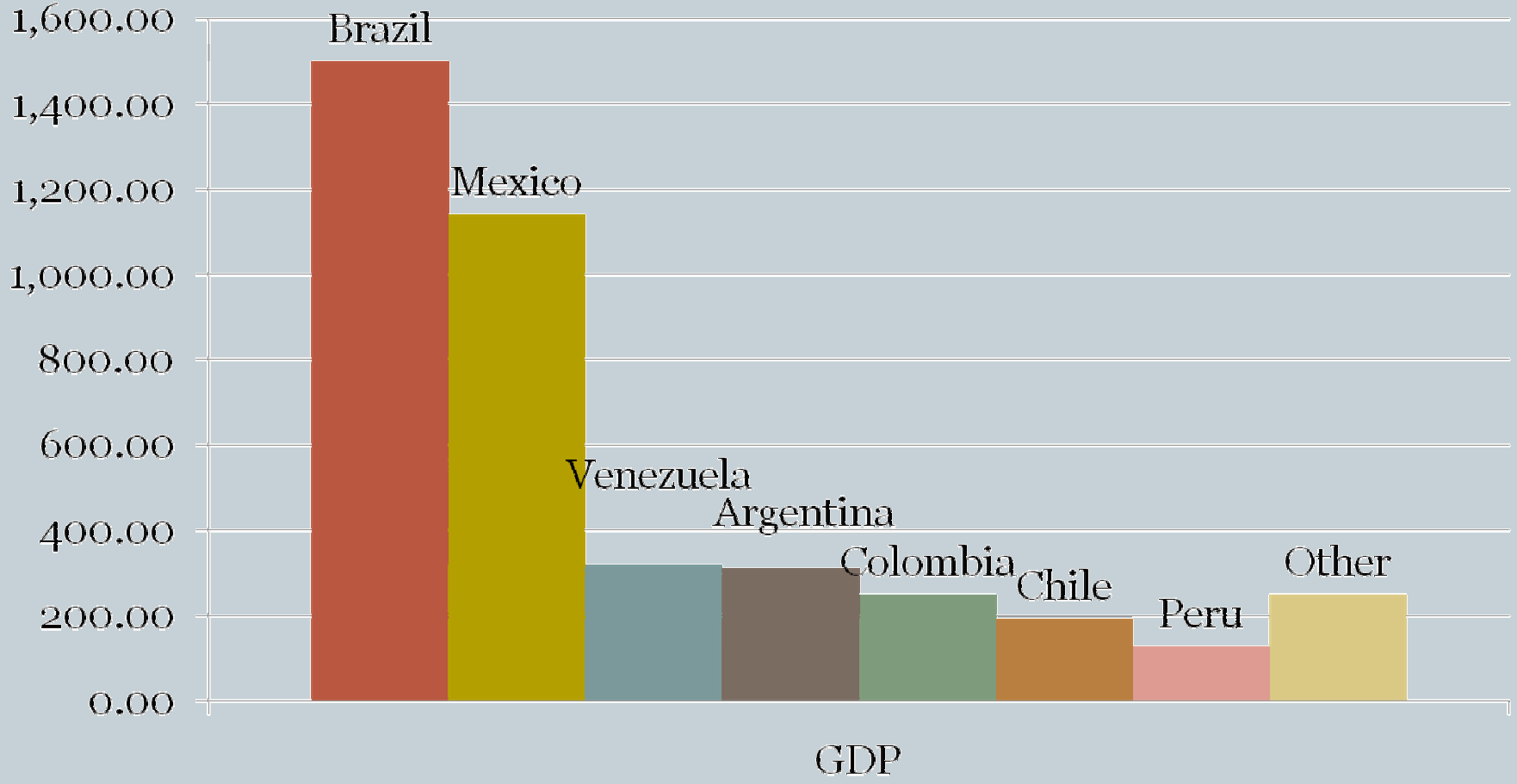
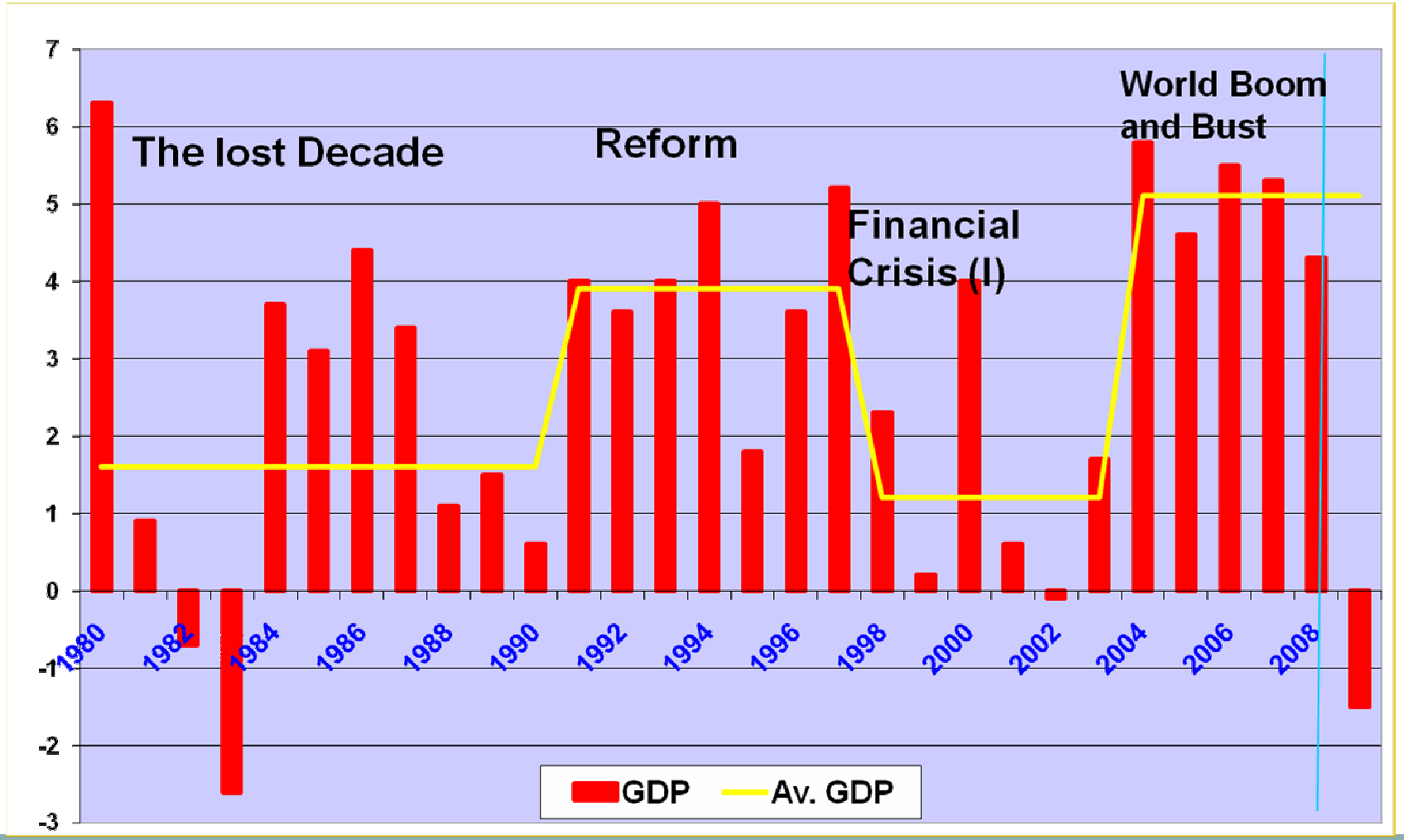
The Crisis has arrived in Latin America and it is here to stay

CLAUDIO M. LOSER
INTER-AMERICAN DIALOGUE/
CENTENNIAL- LATAM

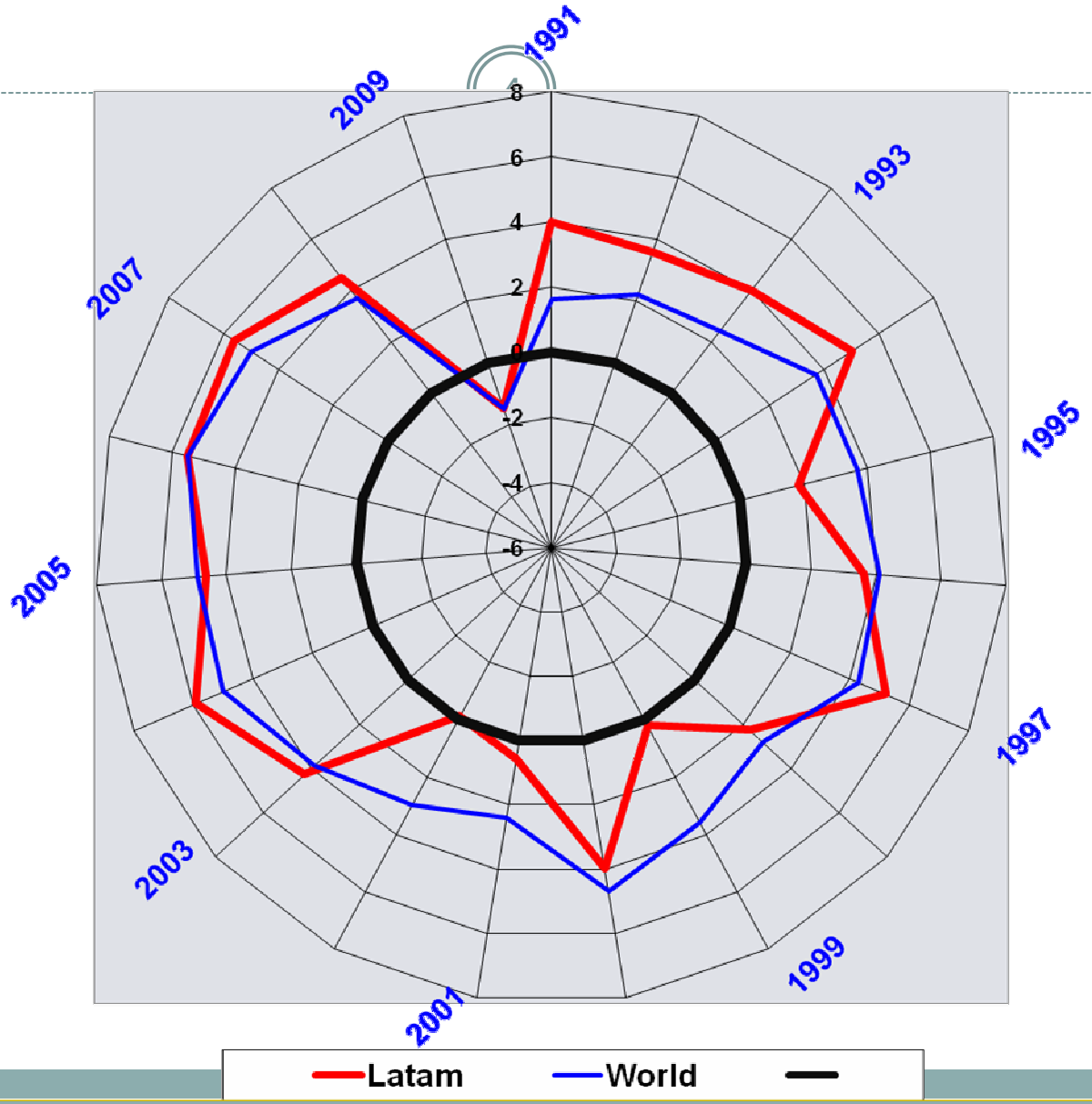
The Countries in LA have very different sizes (GDP, US mill, 2008)



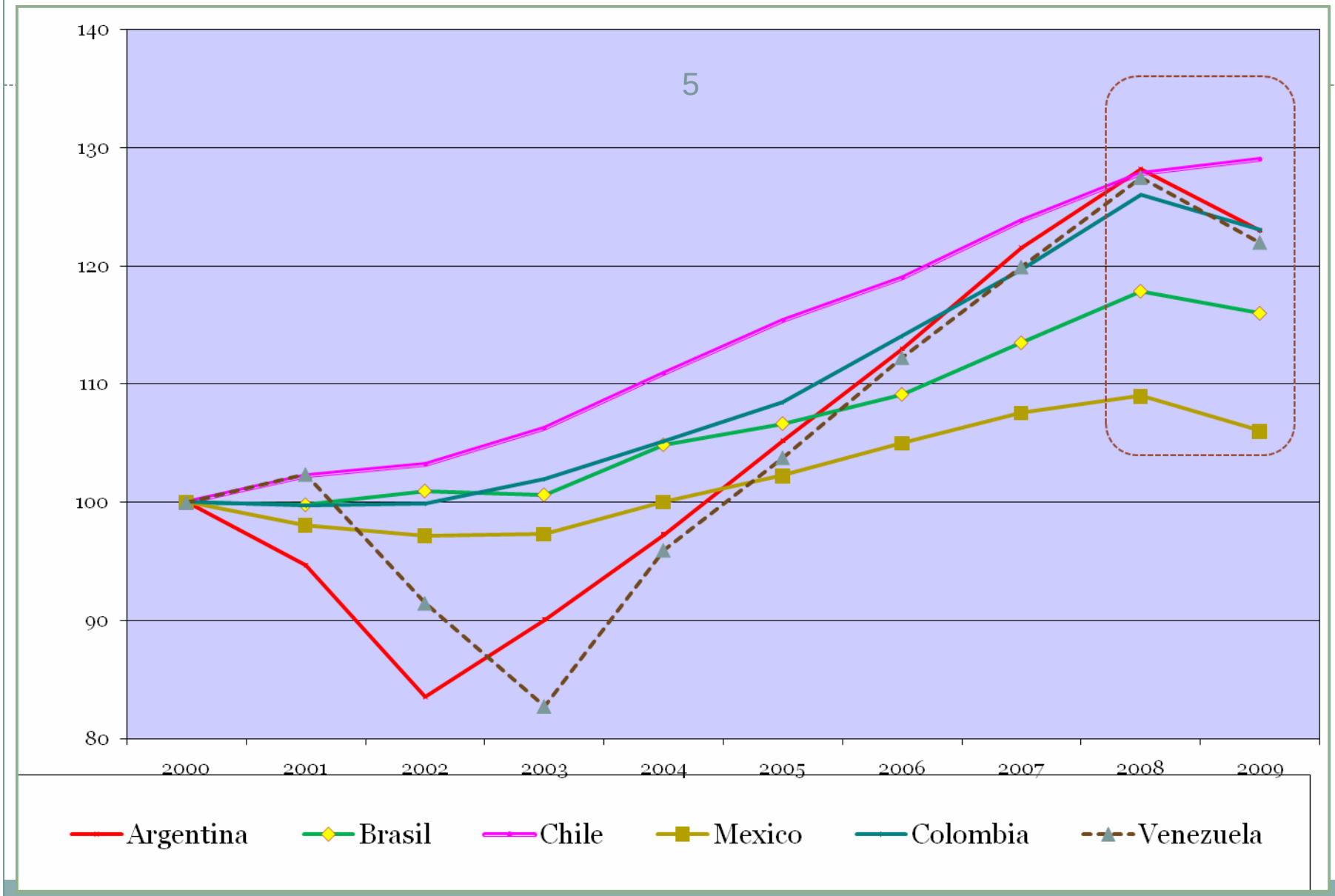
Economic Growth in Latin America has been uneven, although it had recovered in recent years



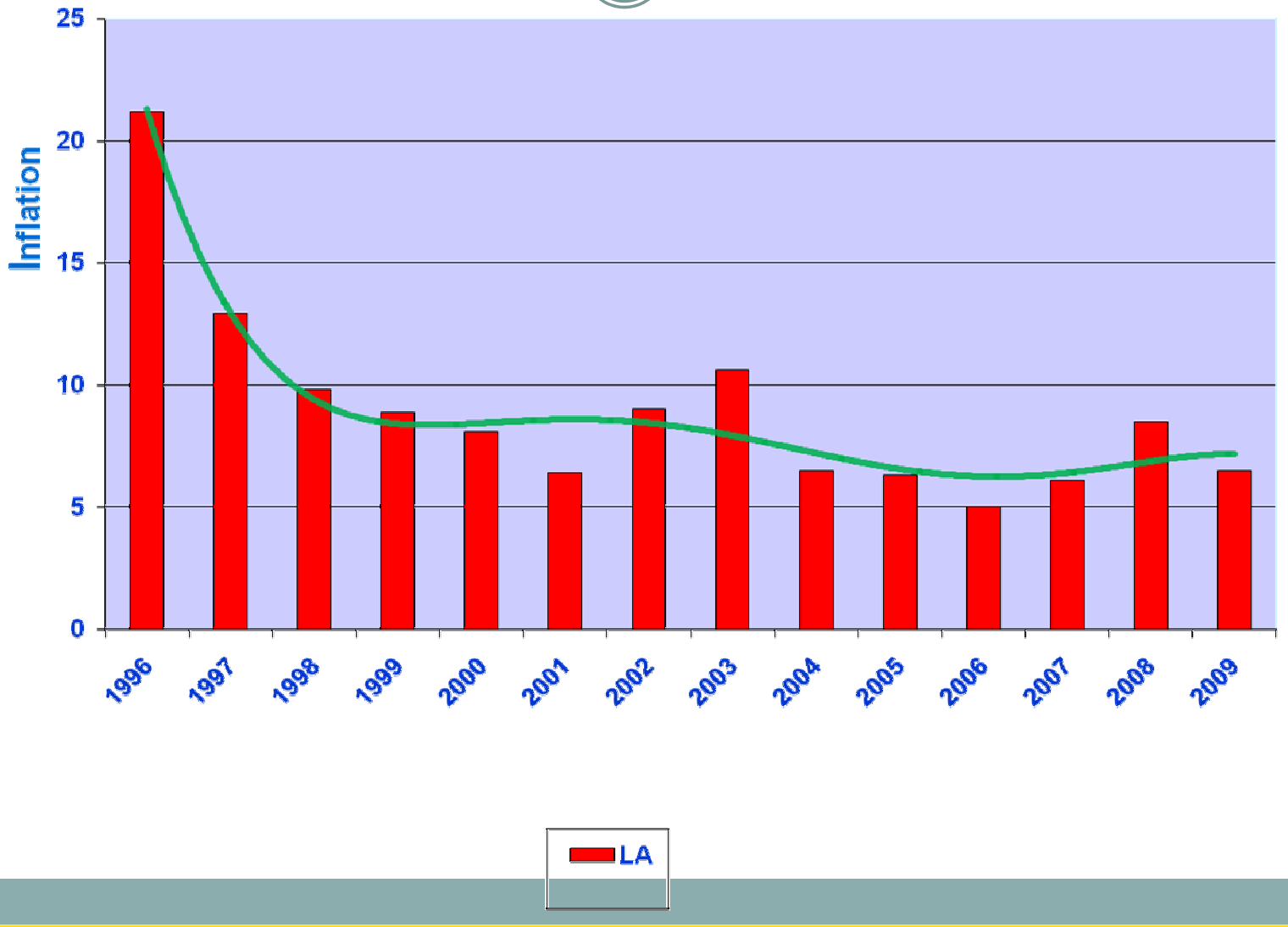
However, growth performance has tended to lag the World



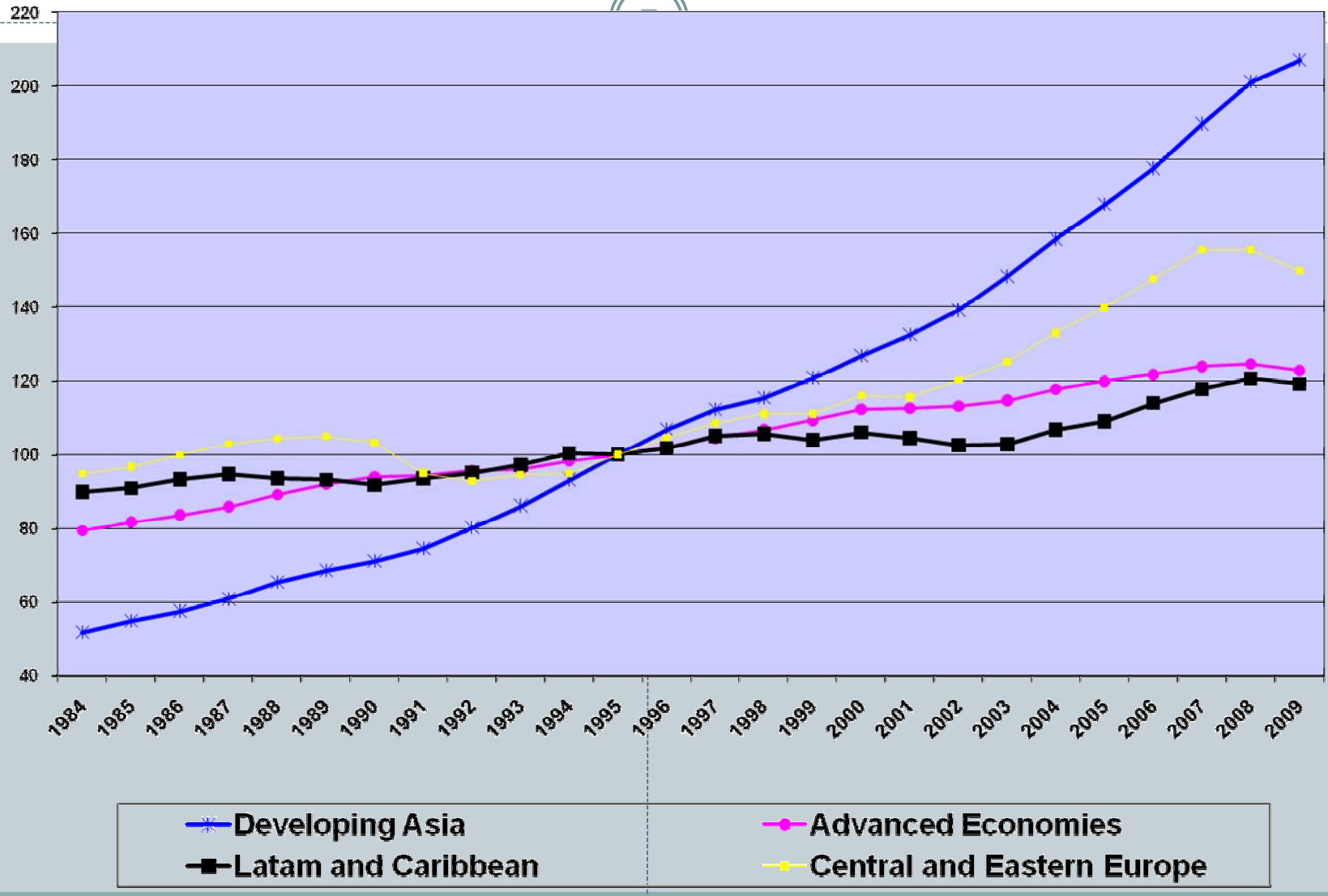
There had been a healthy recovery in the S Cone, but Chile has been the most consistent (GDP pc, 2000=100)



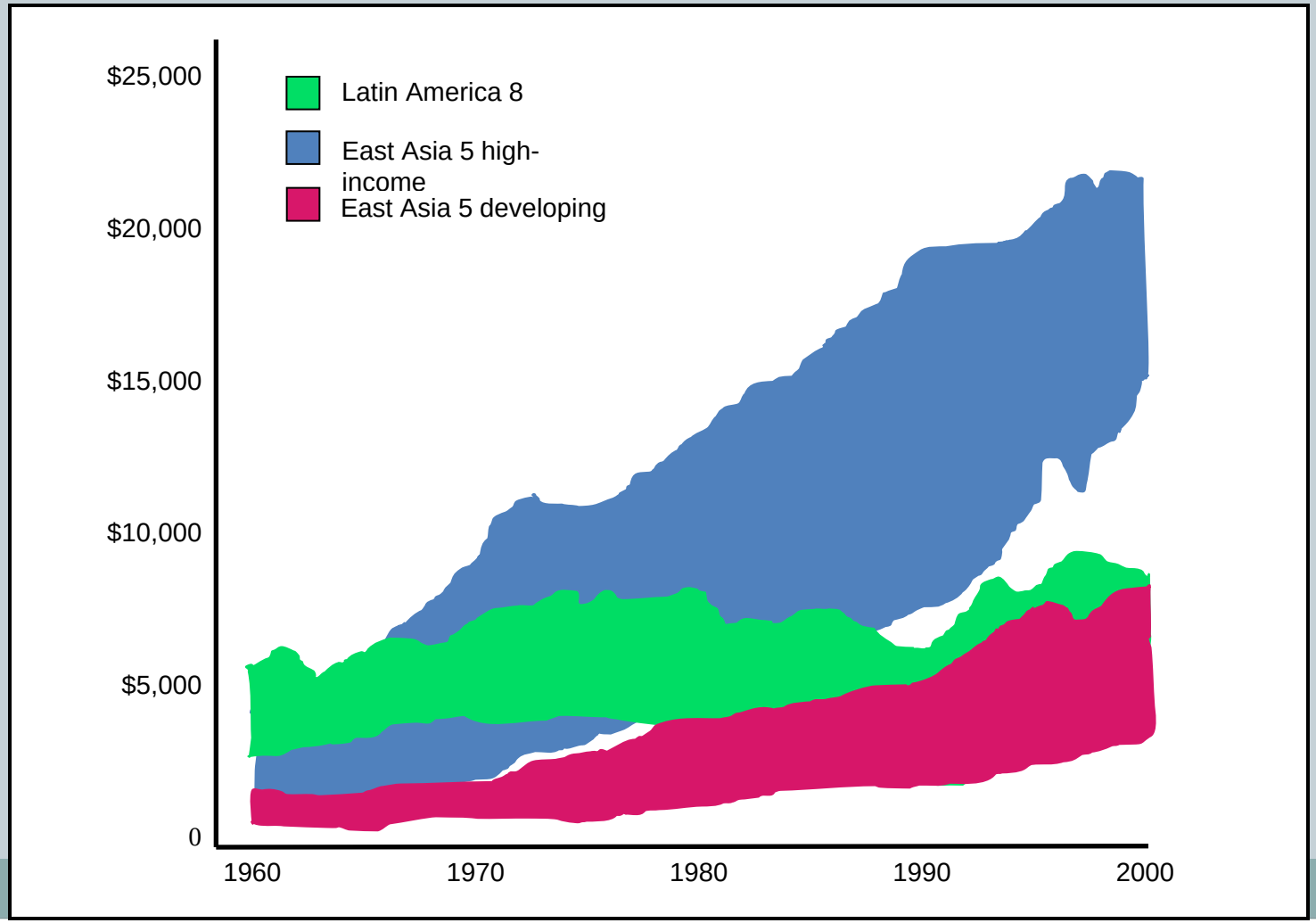
Progress on Inflation has been remarkable, although the trend has changed recently



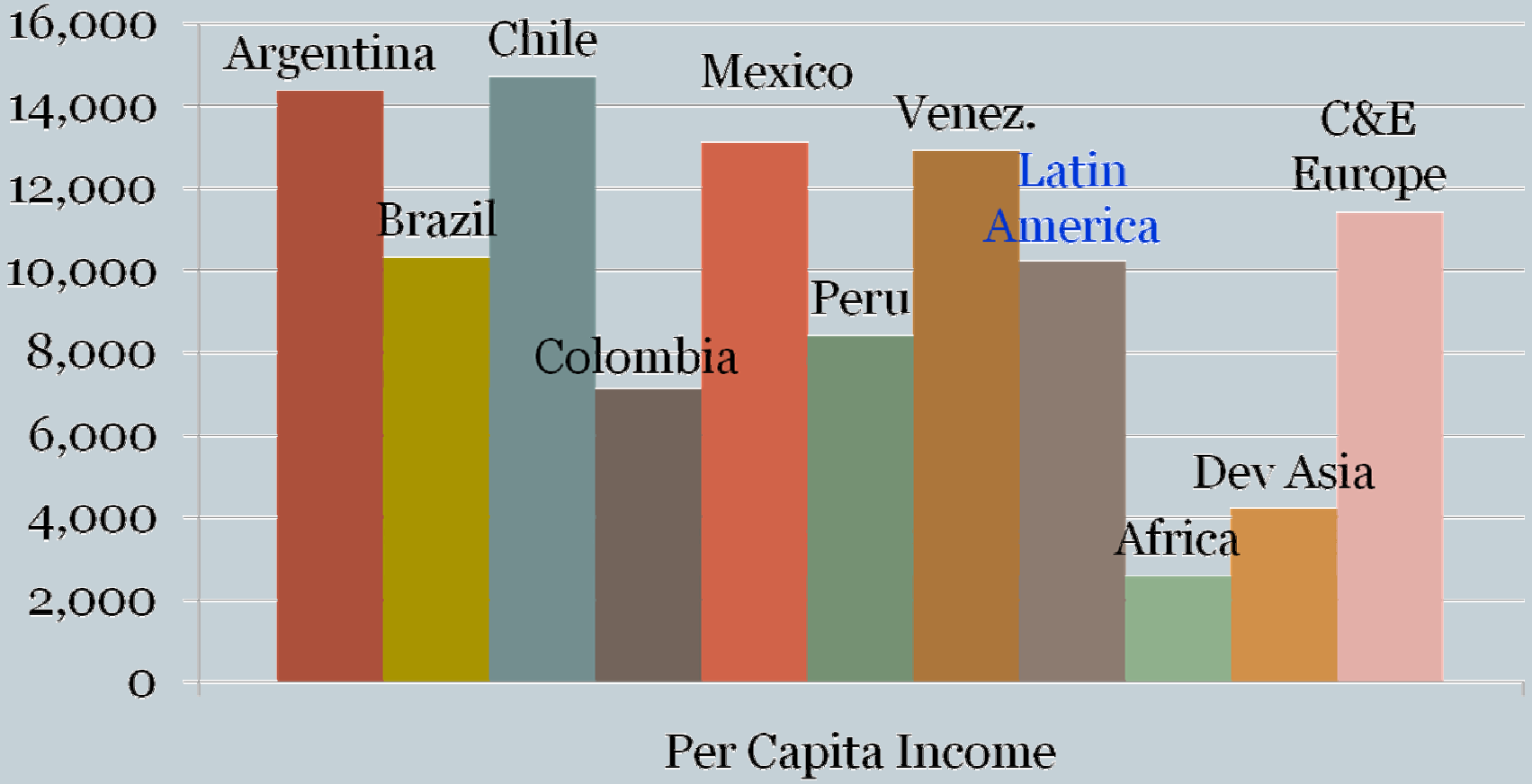
The region has lagged many others in terms of GDP Per Capita(1995=100)



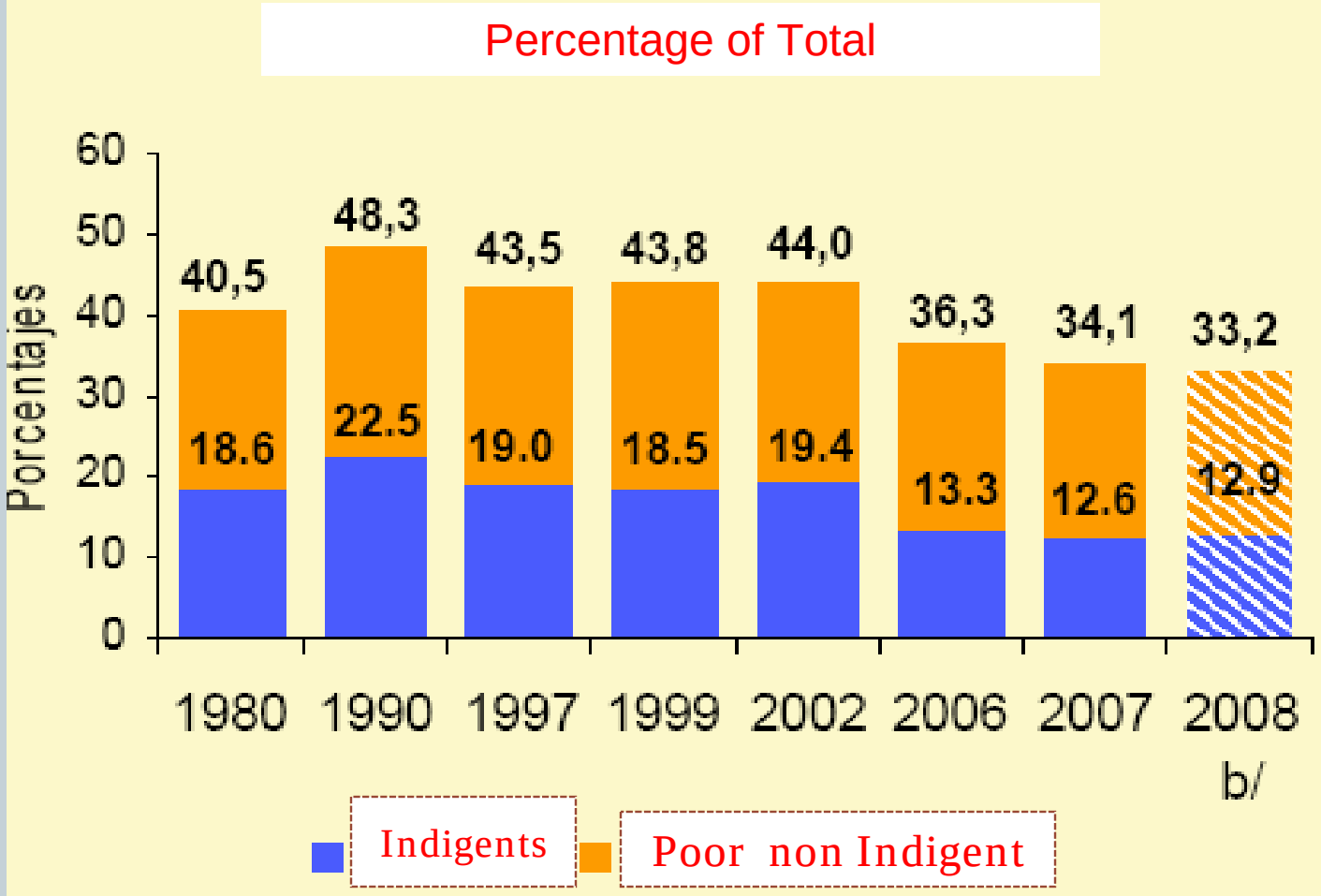
And seems stuck in the "middle-income trap"



The countries in the region do well in absolute terms, (GDP p. capita PPP , US$, 2008)

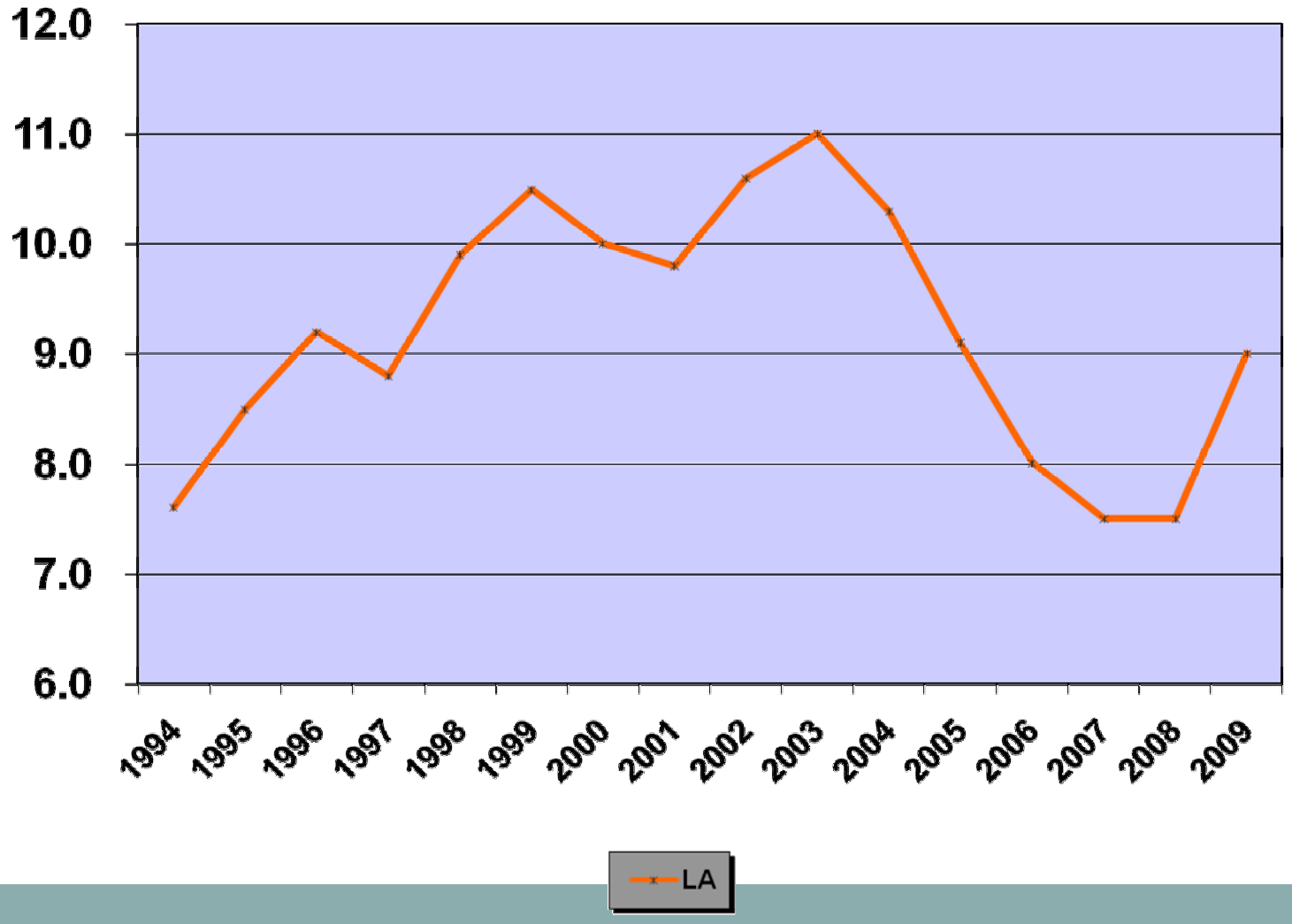


Poverty conditions are improving in the region

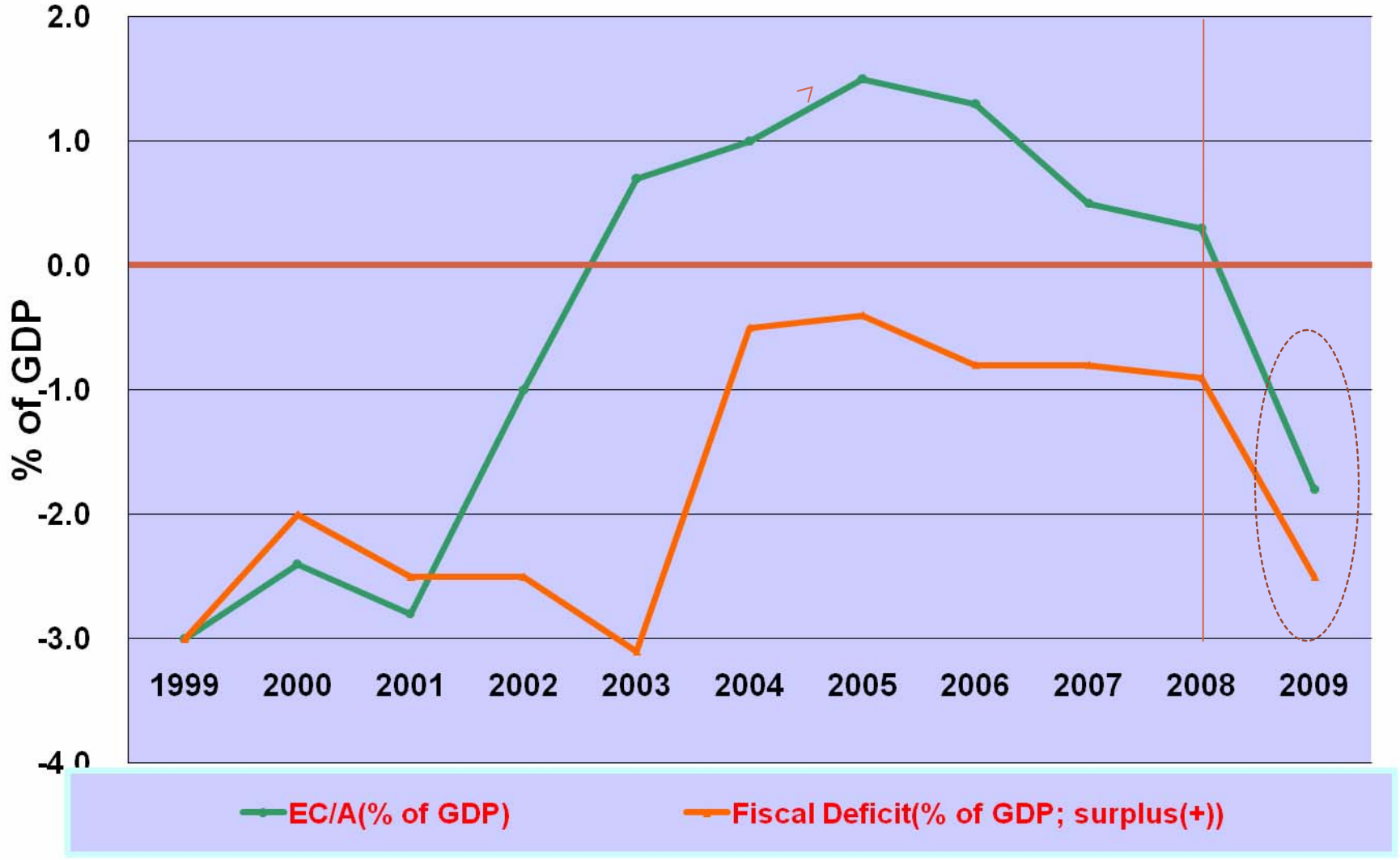


Source: ECLAC

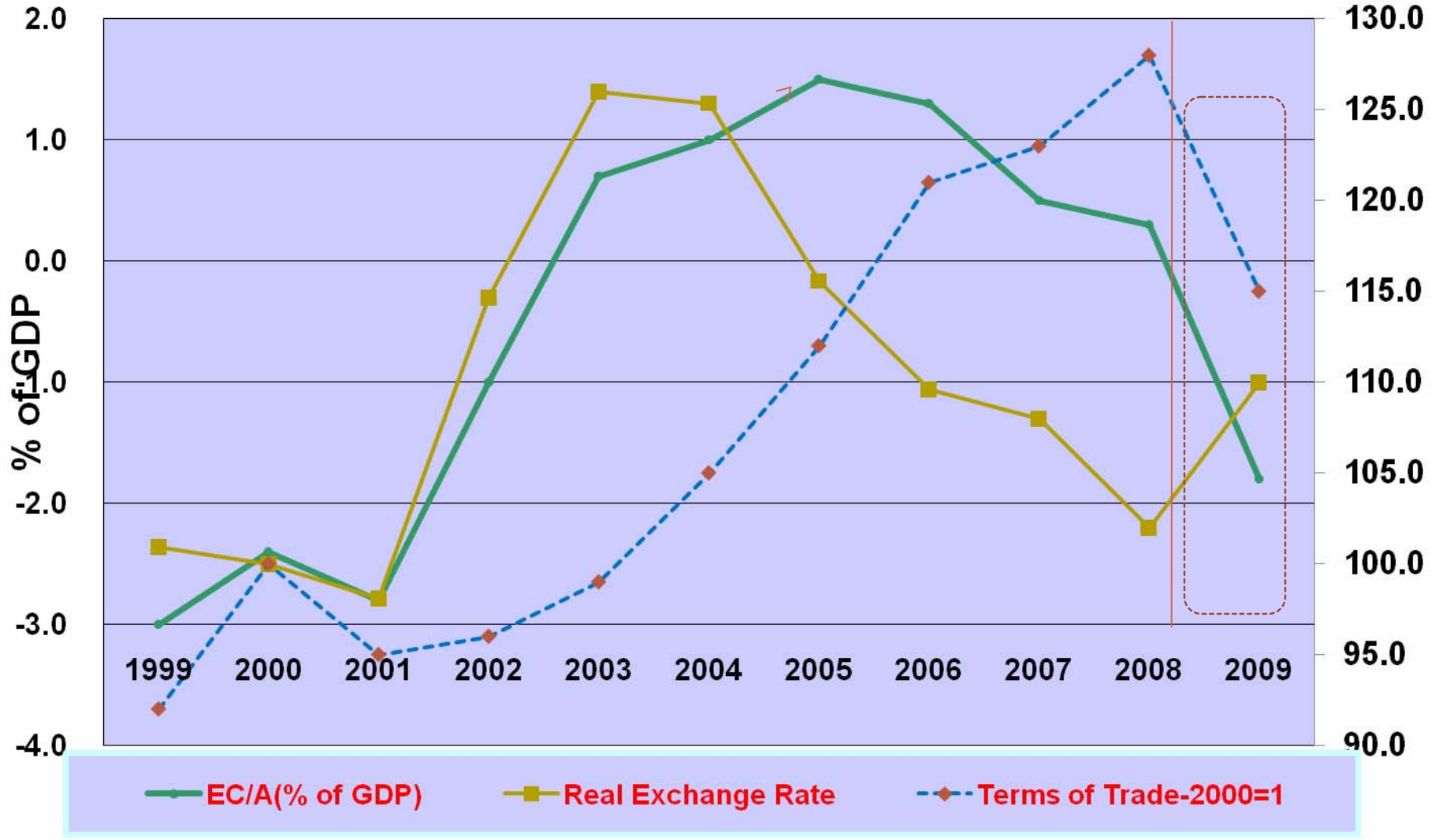
Unemployment has declined, but will reverse



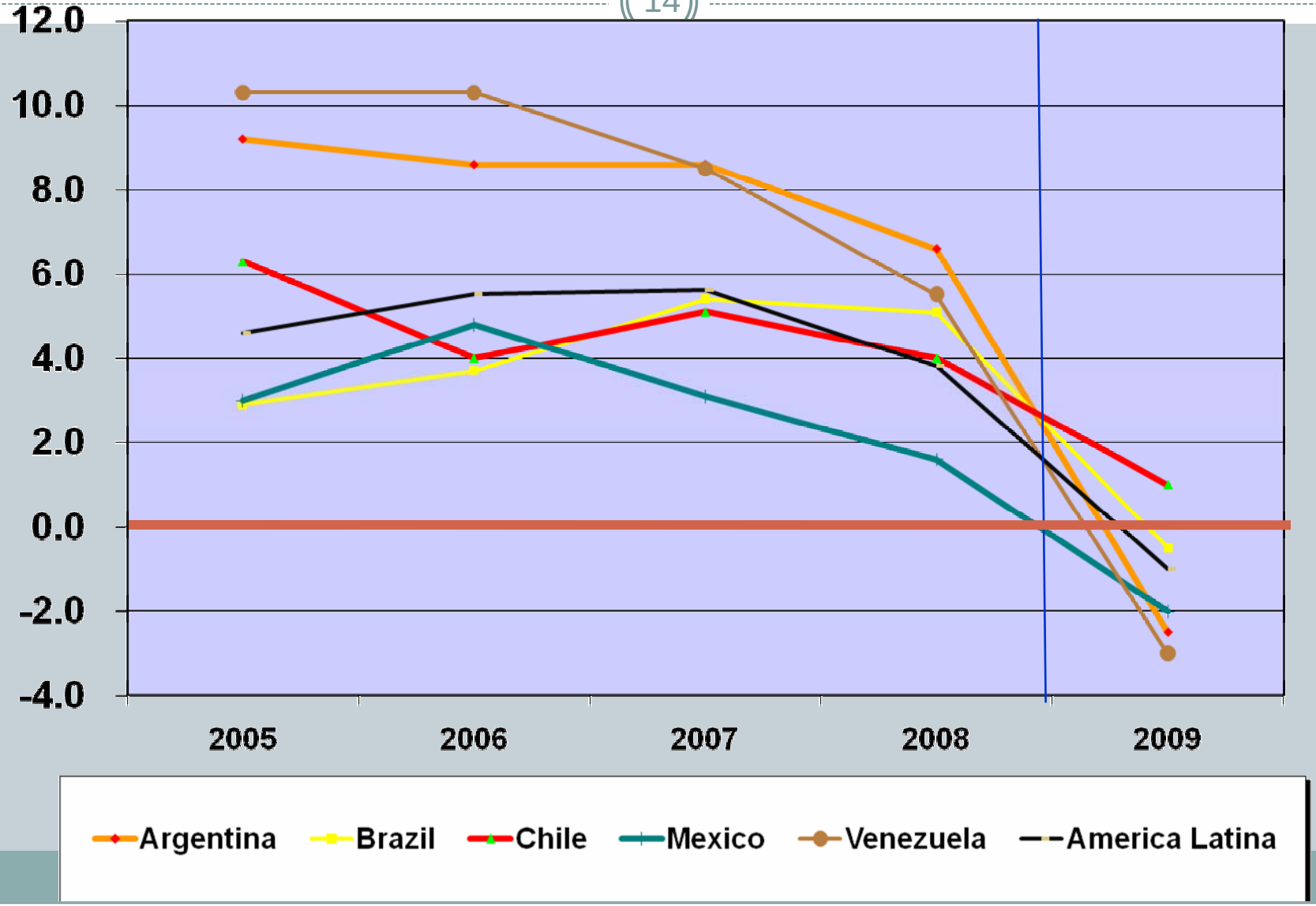
Current Account and Fiscal



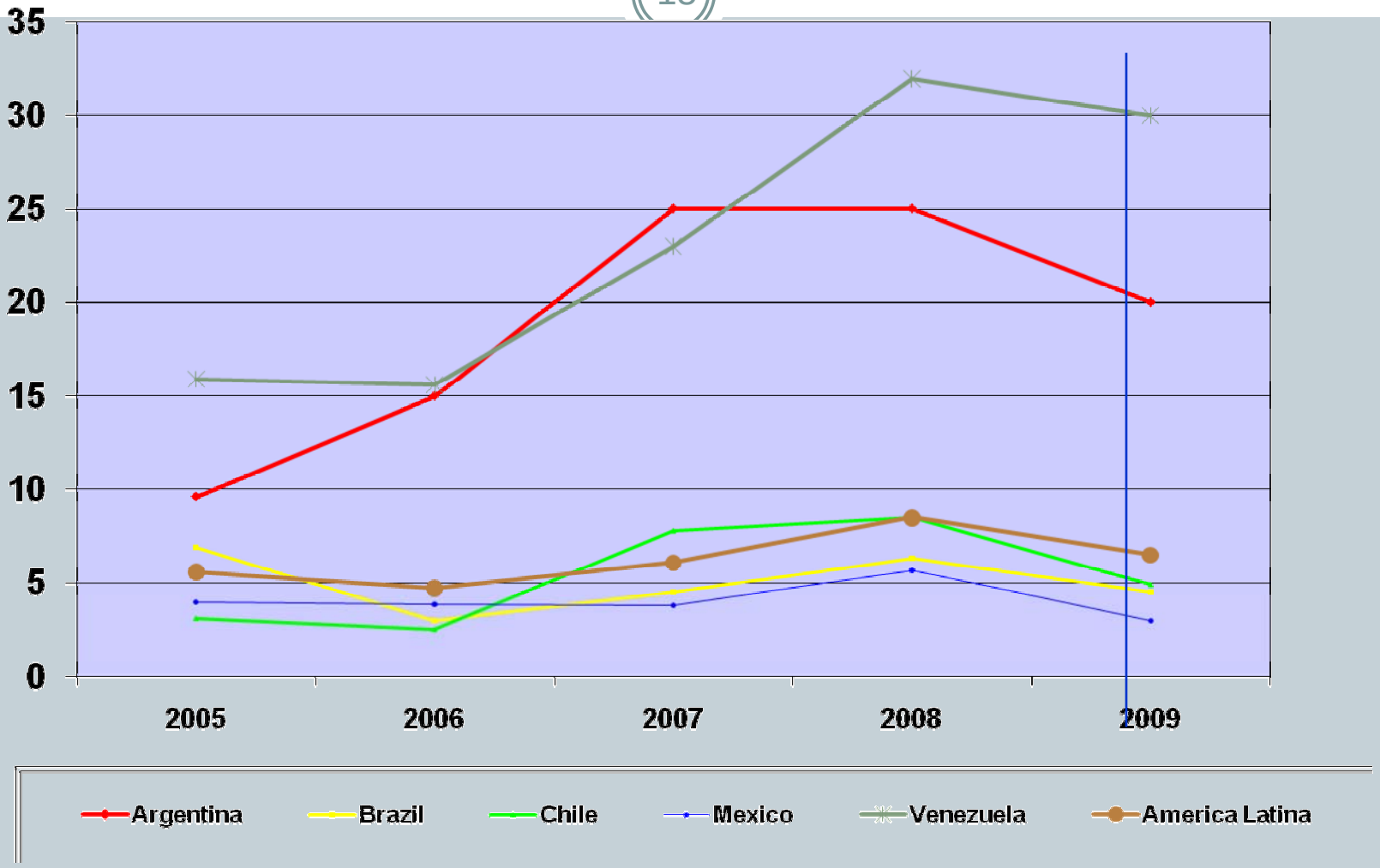
LATAM External Accounts, Exchange Rates, and terms of trade



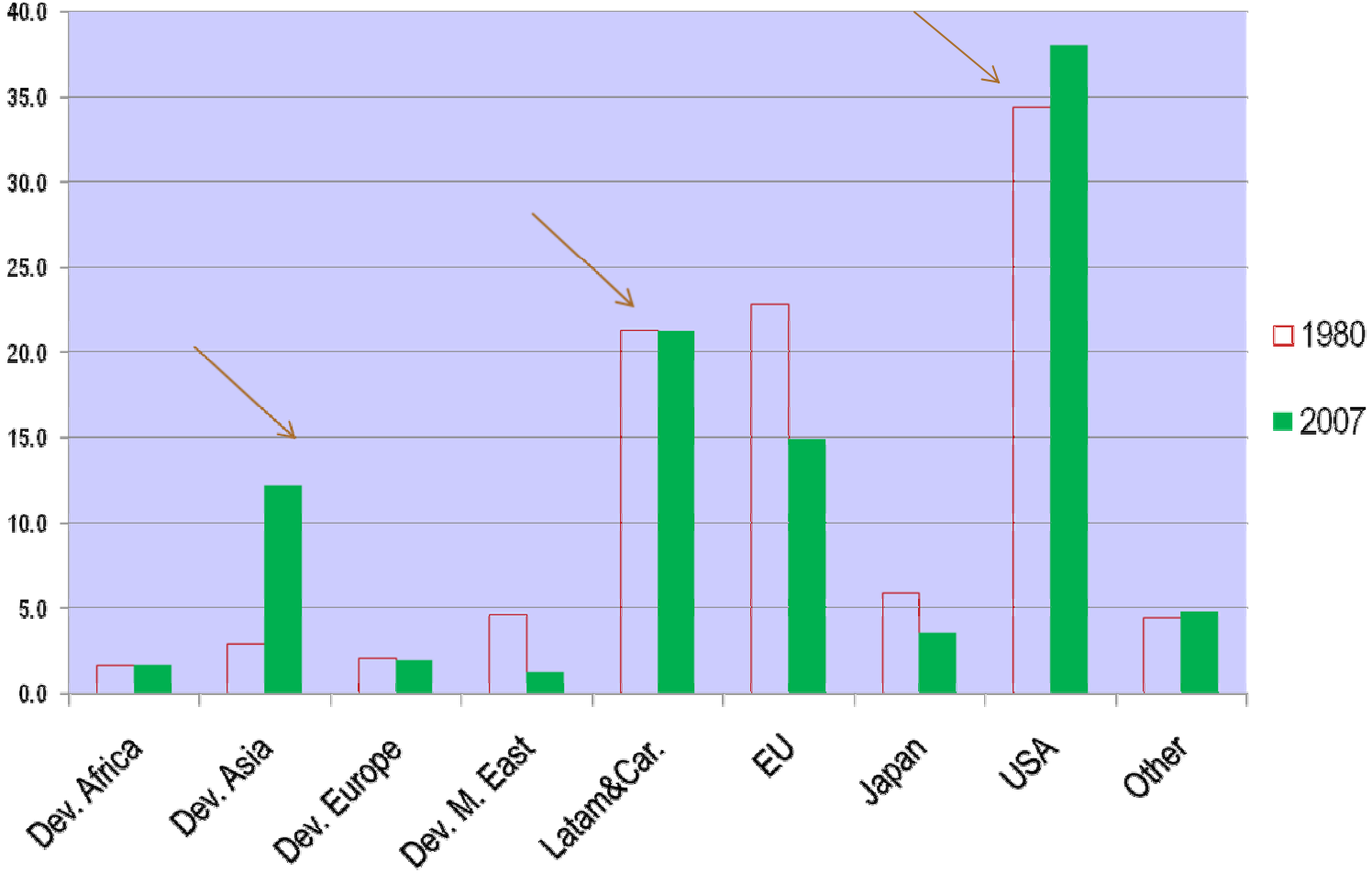
GDP Growth Prospects look Grim



Even as Inflation Declines

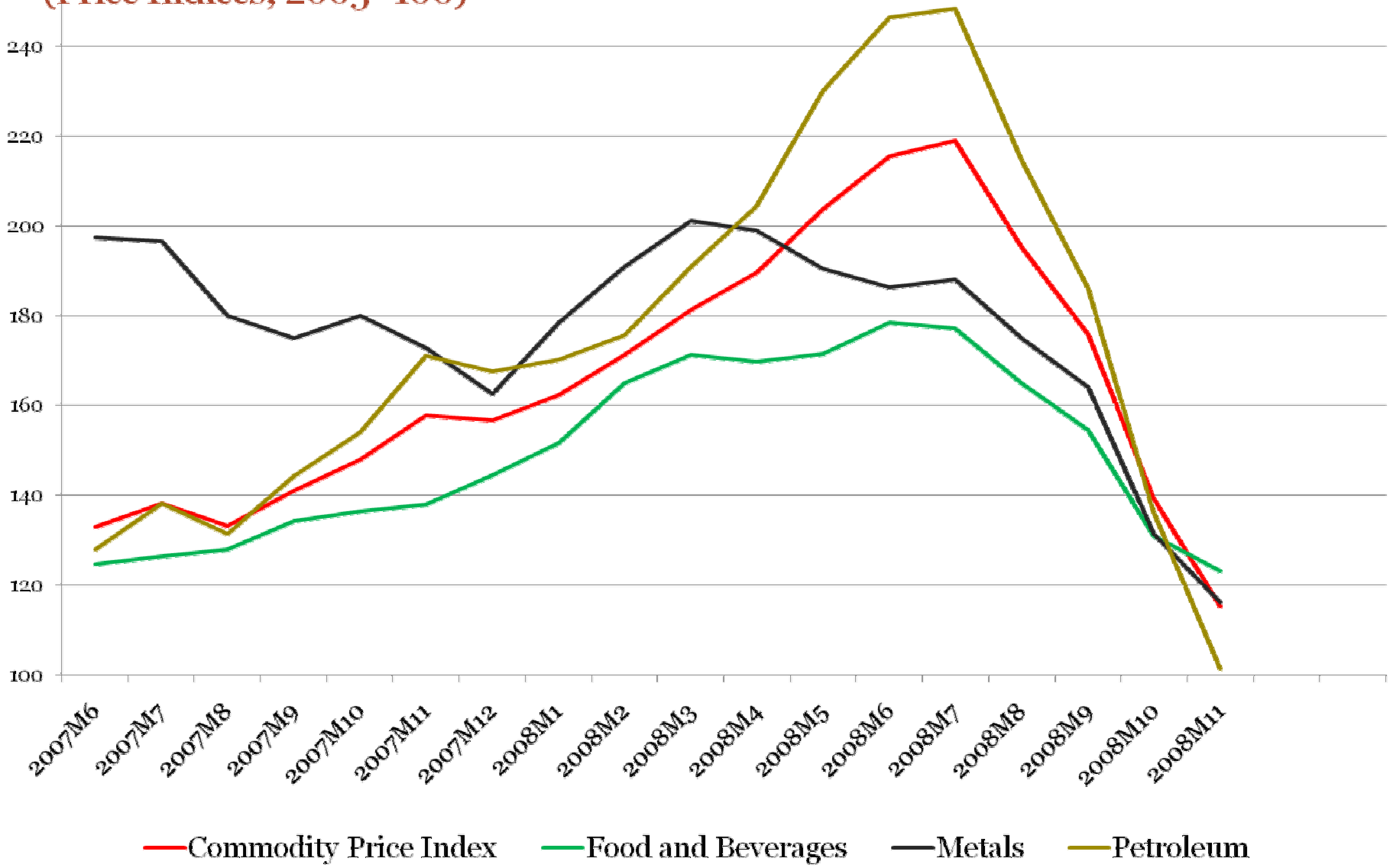


LATAM & Car. Trade Share (% of total)



Commodity Prices took a beating in recent months

(Price Indices; 2005=100)



Commodities took a beating…but are high by historical standards

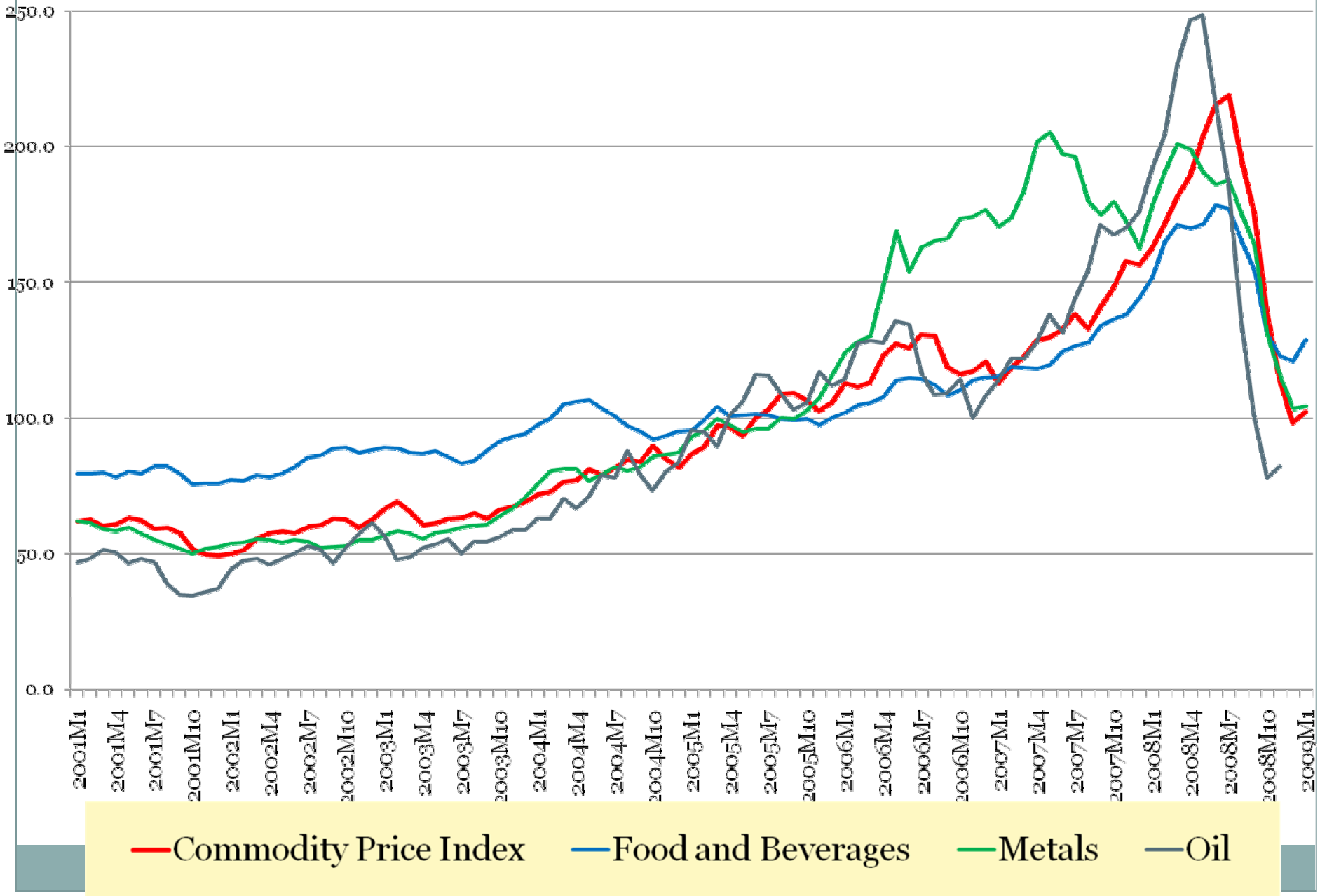


Table 2: Selected Countries-stock Market and Exchange Rate changes

	Stock Market-Changes June December2008 (%)	Exchange Rats-changes June-December 2008 (% v.av.US dollar; increase represents devaluation)
Argentina	-51.0	14.0
Brazil	-49.0	45.0
Chile	-23.0	27.0
Colombia	-25.0	28.0
Mexico	-29.0	35.0
Euro Area	-37.0	12.0
USA(S&P500)	-36.0	--

Sources: Bloomberg, market data, and own estimates

Asia and Latin America: Terms of Trade Effects (US$ billion, unless otherwise specified)			
	2007	2008 est.	2009 proj.
Latin America			
Commodity trade balance 1/	210.52	237.4	149.2
Terms of Trade Effect 2/		26.8	**-88.2**
as percent of GDP		0.7	**-2.4**
Dev. Asia and NICs			
Commodity trade balance 1/	46.38	96.9	60.9
Terms of Trade Effect 2/		50.5	-36.0
as percent of GDP		0.6	-0.4
Terms of Trade Index (2005=100)3/	135	175	110

1/Balance of exports and imports of raw materials and commodities. Based on UNCTAD data base (2006) for commodity composition, and IMF, Directions of Trade for overall trends

2/ Terms of trade effect is calculated on the basis of 2006 composition and movements in overall trade data for 2008, and on the basis of projected terms of trade effect for 2009

3/ Estimated on the basis of a weight of 50 % for energy and 50% for other raw material

Source: IMF, Directions of Trade, and Commodity Prices, UNCTAD, and own estimates

	Value end-2007 (in US$ bill)	Percentage of Total-end 07	Estimated Loss 2008		Notes
			US$ billion	% of GDP	
Latin America					
Stock market Capitalization	2292	55%	1261	34.1	1/
Public and private debt	1456	20%	291	7.9	2/
Bank Assets	1989	29%	567	15.3	3/
Total Assets	5737		**2119**	**57.3**	
Developing Asia and NICs 6/					
Stock market Capitalization	13782	52%	7167	81.0	4/
Public and private debt	4504	15%	676	7.6	5/
Bank Assets	9382	19%	1783	20.2	2/
Total Assets	27670		**9625**	**108.8**	

1/Assumes an average loss of 40% in value and 25% depreciation
2/Assumes an average loss of 20% in value (increase in spreads)
3/Assumes 5% loss in local currency value and 25% average depreciation
4/Assumes an average loss of 50% in value and 10% depreciation
5/Assumes an average loss of 15% in value (increase in spreads)
6/NICs include Rep. of Korea, Hon-Kong, Taiwan, and Singapore
Source : Global Financial Stability Report(IMF, October2008), Bloomberg news, and own estimates

STIMULUS PACKAGES: Selected Countries in Latin America and Elsewhere

Country	Announced Amount of Stimulus		Gross Public Debt	Public Debt, net of International Reserves
	US$ billion, annual		(% of GDP, 2008)	
Peru	3.2	2.5	31	1
Chile	4.0	2.2	19	6
Argentina	3.8	1.2	59	46
Mexico	10.8	1.1	26	18
Brazil	16.0	1.0	57	46
Colombia	0.0	0.0	39	28
Venezuela	0.0	0.0	20	7
China	300 (586) 1/	7.1	18	-30
USA	800 (1150) 1/	5.6	38	38
Germany	102	2.7	67	64
Great Britain	30	1.1	44	41
India	8.3	0.7	58	37

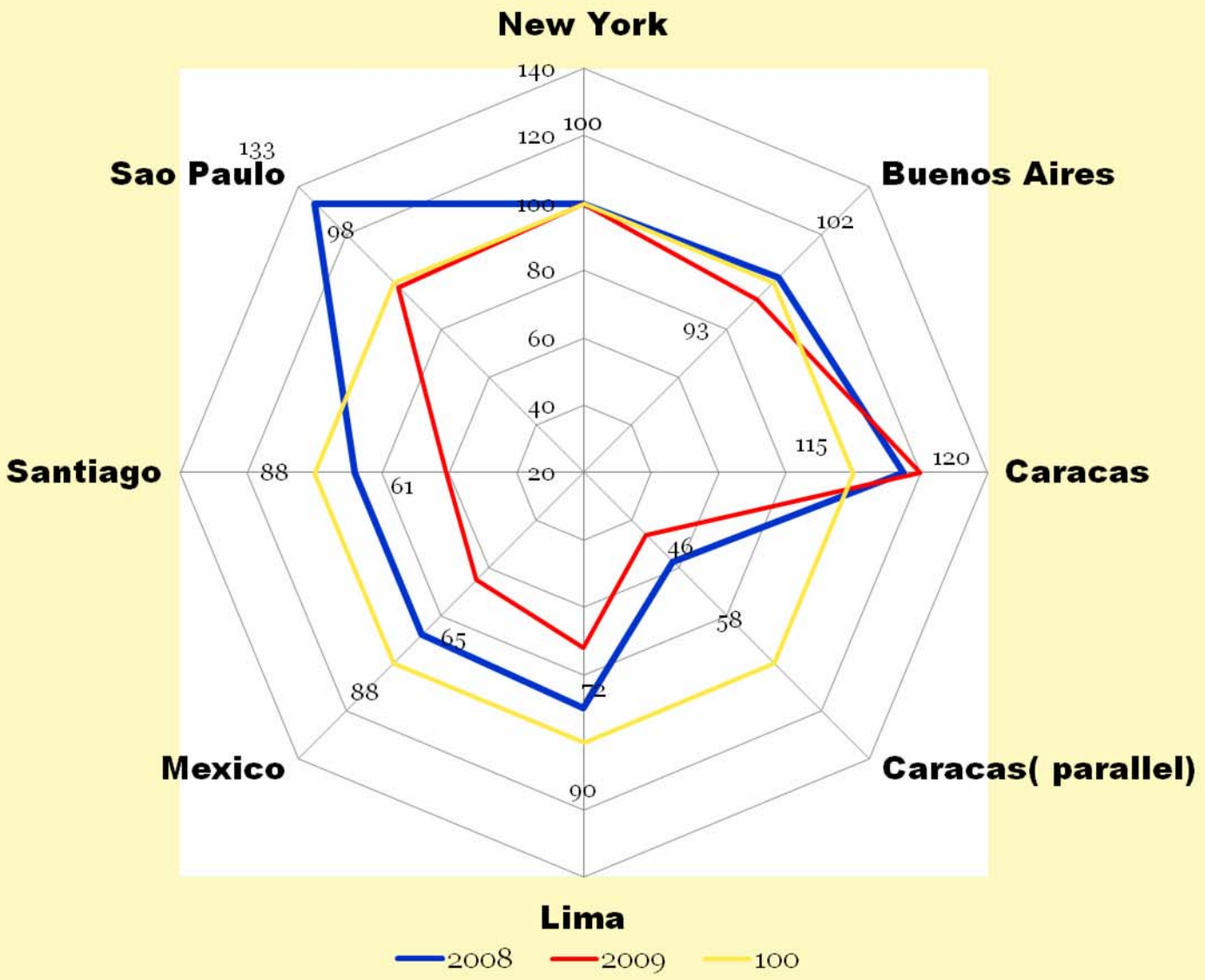
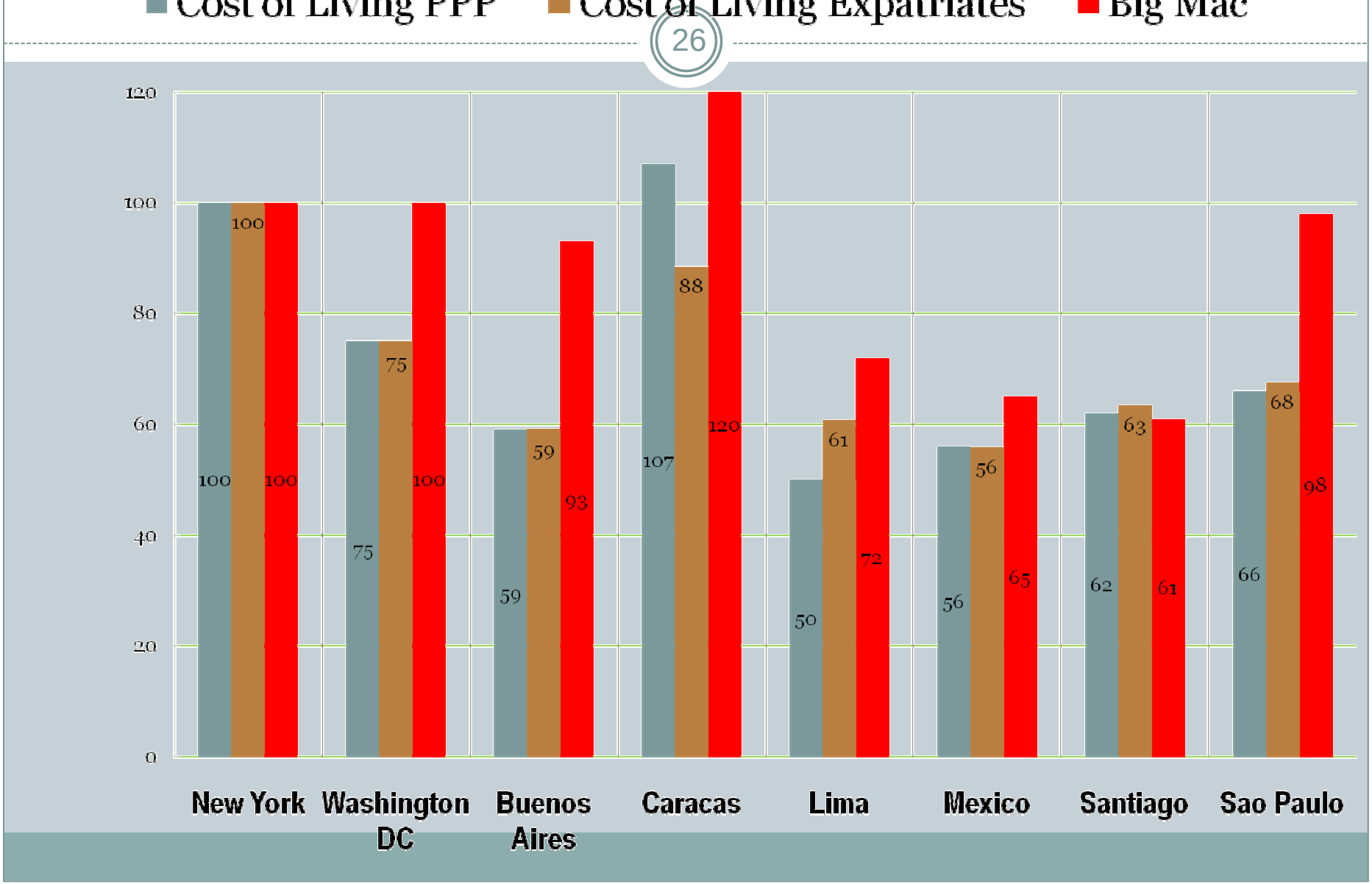
1/Estimated expenditure in 2009. Number in parenthesis reflects announced total package

Sources: National data; Press Releases; IMF; Eurostat, and own estimates

Country	Ease of Doing Business RANK 2008(181 countries)
Singapore	***1***
New Zealand	***2***
United States	***3***
Japan	***12***
Chile	**40**
Mexico	**56**
Peru	**62**
Colombia	**63**
El Salvador	***72***
Panama	***81***
China	***83***
Uruguay	**109**
Argentina	**113**
Paraguay	**115**
Costa Rica	**117**
Brazil	**125**
India	***122***
Ecuador	**136**
Venezuela	**174**
Latin America (simple average for sample)	**96**

Ranking of Latin America in Recent World Indices

Competitiveness Index 2008 - 2009 (World Economic Forum; 131 countries)		**Index of Economic Freedom 2008 (Heritage Foundation and Dow Jones; 177 countries)**		**Corruption Perception, 2008 (Transparency International; 180 countries)**	
United States	1	Hong Kong	1	Denmark, N Zeal. Sweden	1
Switzerland	2	Singapore	2	Singapore	4
Denmark	3	USA	5	Finland, Switzr	5
Chile	**28**	**Chile**	**8**	Austr. Canada	9
China	30	Japan	17	Austria; HKong	12
India	50	**El Salvador**	**33**	USA, Japan	18
Russia	51	**Uruguay**	**40**	Barbados	22
Costa Rica	**59**	**Mexico**	**44**	**Chile, Uruguay**	**23**
Mexico	**60**	**Costa Rica**	**49**	**Costa Rica**	**47**
Brazil	**64**	**Panama**	**50**	**El Salvador**	**67**
Colombia	**74**	**Peru**	**55**	**Colombia**	**70**
Uruguay	**75**	**Colombia**	**67**	**Peru, Mexico, China**	**72**
Argentina	**88**	**Paraguay**	77	**Brazil**	**80**
Ecuador	**104**	**Brazil**	**101**	**India, Panama**	**85**
Venezuela	**105**	**Argentina**	**108**	**Argentina**	**109**
Paraguay	**124**	India	115	**Paraguay**	**138**
		China	126	**Venezuela**	**158**


Big Mac Price Index
New York
Buenos Aires
Caracas
Caracas(parallel)
Lima
Mexico
Santiago
Sao Paulo
140
120
100
80
60
40
20
133
98
102
93
115
120
46
58
72
65
88
90
88
61
2008
2009
100

Cost of Living and Big Mac